

COUNCIL AGENDA: 12-2-03
M-25-03

ITEM: 5.3

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sara L. Hensley

SUBJECT: SEE BELOW

DATE: 11-03-03

Approved

Kay Miner

Date

11/10/03

Council District: 1,3,4,5,6,7,9
SNI Area: University, Five Wounds,
Brookwood Terrance, East Valley/680
Communities, Burbank/Del Monte,
Washington

SUBJECT: APPROVAL OF FUNDING EXTENSION FOR VARIOUS CDBG PROJECTS

RECOMMENDATION

1. Approval of an extension of the funding term for six months for the following project:
 - G43 Roosevelt Roller Hockey Rink – Parks, Recreation and Neighborhood Services
2. Approval of an extension of the funding term for one year for the following projects:
 - G33 Goss Community Facility – Parks, Recreation and Neighborhood Services
 - G44 Cypress Senior Center – Parks, Recreation and Neighborhood Services
 - G46 O'Connor Park Restroom Building – Parks, Recreation and Neighborhood Services
 - G47 Selma Olinder Park – Parks, Recreation and Neighborhood Services
 - G48 Elizabeth Street Improvement Project (Phase 1)- Department of Transportation
 - G51 Street lighting: Reed Street Pedestrian Corridor Extension – Department of Transportation
 - G54 Guadalupe – Washington Alley Reconstruction (C1 & C2) - Department of Transportation
 - K16 Therapeutic Recreation and Wellness Facility Pre-Development Project - Parks, Recreation and Neighborhood Services
3. Approval of an extension and continuation of the funding term from December 31, 2001 to June 30, 2004, for the following project:
 - F80 East Community Resource Center - Society of St. Vincent De Paul, Santa Clara County Council, Fiscal Agent for East Community Resource Center

BACKGROUND

Several construction projects experienced delays due to various reasons. These projects require an extension of the funding term to allow them to be completed.

On September 15, 2003, the CDBG Steering Committee approved recommending the extension of the projects that are proposed in this memorandum.

ANALYSIS

These projects are recommended for extension and are listed in the Recommendation section of this memo. A brief status is provided below:

F80 East Community Resource Center - SOCIETY OF ST. VINCENT DE PAUL, SANTA CLARA COUNTY COUNCIL, fiscal agent for EAST COMMUNITY RESOURCE CENTER (2002-03). The project involves the construction and rehabilitation of a multi-service center to serve low-and-moderate income people. The project was awarded \$550,000 in CDBG funds and \$1 million Healthy Neighborhoods Venture Fund (HNVF). In April 2001, a 28,400 square foot property was purchased at 1747-1795 Alum Rock Avenue for approximately \$2.6 million using a portion of the HNVF allocation. Construction and rehabilitation of the site was scheduled to begin in Summer 2002. However, due to unresolved land use issues, it was not feasible to provide services at the Alum Rock site. As a result, the site was sold and an alternate site at 960 Remillard Court was purchased in Spring 2003. (CEQA: Statutory Exemption per Section 15268 of CEQA guidelines)

The CDBG allocation and the remainder of the HNVF allocation have been approved to fund a portion of the renovation of a 32,000 square foot building at the Remillard site located near the corner of Story and McLaughlin. The building will be used as a multi-service center for services provided by three agencies; St. Vincent De Paul, O'Connor Hospital, and the East San José Community Law Center (Santa Clara University). Construction is currently underway and is expected to be completed in early 2004. Funding for the project is currently authorized through December 31, 2001. A funding extension and continuation through June 2004 is recommended.

G33 Goss Community Facility – PARKS, RECREATION AND NEIGHBORHOOD SERVICES (2000-01). The project is in the process of obtaining federal environmental clearance. Public Works is preparing a cost proposal and a timeline for obtaining environmental clearance. The project was delayed due to a change in project site that resulted in a need for additional funds and the need for environmental clearance. A one-year extension, from June 30 2003 to June 30, 2004, is recommended. (CEQA: PP03-06-218)

G43 Roosevelt Roller Hockey Rink – PARKS, RECREATION AND NEIGHBORHOOD SERVICES. The renovation project consists of fully enclosing Roosevelt Roller Hockey Rink and related areas, constructing a building with necessary electrical outlets, lighting, plumbing, and HVAC units. Completion of the project was scheduled for April 2003. The project was

delayed due to modifications of the materials being used. The minor issue has been resolved and the project is in the final stages of construction with completion anticipated by the end of November 2003. A six-month extension, from June 30, 2003 to December 31, 2003, is recommended. (CEQA: PP02-02-023)

G44 Cypress Senior Center – PARKS, RECREATION AND NEIGHBORHOOD SERVICES.

The project involves the kitchen renovation of the Cypress Senior Center. The project is on schedule, but the original schedule exceeded the usual 18-month window for physical improvement projects. Construction is scheduled to begin in November 2003, and complete in May 2004. A one-year extension, from December 31, 2003 to December 31, 2004, is recommended. (CEQA: PP03-06-218)

G46 O'Connor Park Restroom Building – PARKS, RECREATION AND NEIGHBORHOOD SERVICES (2002-03).

The neighborhood association in the O'Connor Park neighborhood is discussing whether to construct a restroom in the park. A decision on this will be made by March 2004. A one-year extension, from December 31, 2003 to December 31, 2004, is recommended. (CEQA: PP01-02-016)

G47 Selma Olinder Park Center – PARKS, RECREATION AND NEIGHBORHOOD SERVICES (2002-03).

The project involves construction of a 13.5-acre park of which CDBG funds the open lawn area. The project was delayed due to the City and State's funding issues. The project anticipated a substantial amount of project funding from the Redevelopment Agency, but that has been deferred. The project put together a funding plan that adds a variety of grant and other funding opportunities. The project is also working with the San Jose Conservation Corps to help with specific phases of the project. There is now sufficient funding in place to complete the project. The construction documents are 90% complete. A revised project schedule shows construction beginning in December 2003 and completed in December 2004. A one-year funding extension, from December 31, 2003 to December 31, 2004, is recommended. (CEQA: PP-00-10-147)

G48 - Elizabeth Street Improvement Project (Phase 1)- DEPARTMENT OF

TRANSPORTATION. The project consists of constructing street improvements along Elizabeth Street in the Alviso neighborhood. The project is behind schedule due to the more than the usual number of community meetings to discuss the plan. The project is currently on the final design phase. Construction is expected to start in the end of December 2003 and is anticipated to be completed in June of 2004. A one-year extension, from December 31, 2003 to December 31, 2004, is recommended to allow for any unanticipated delays. (CEQA: PP03-09-295)

G51 Street lighting: Reed Street Pedestrian Corridor Extension – DEPARTMENT OF

TRANSPORTATION (2002-03). The project involves installation of ornamental street lighting to enhance safety and livability in the neighborhood. Reed Street lost the matching funds from the San Jose Redevelopment Agency, as a result the scope needed to be revised. The project is currently in the design phase. Construction is anticipated to begin in June 2004 and be completed in September 2004. The construction project must be postponed until June 2004, as

the project is located at a school bus loading zone and would interfere with school activity. A one-year extension, from December 31, 2003 to December 2004, is recommended. (CEQA: PP01-02-023)

G54 – Guadalupe – Washington Alley Reconstruction (C1 & C2) DEPARTMENT OF TRANSPORTATION. The project was transferred from the Department of Transportation to the San Jose Redevelopment Agency in February 2003. The project was relocated to another project site in the same SNI neighborhood. The project is currently in the designing phase and is anticipated to go out to bid by November 2003. A one-year extension through December 2004 is recommended. (CEQA: PP02-01-002)

K16 Therapeutic Recreation and Wellness Facility Pre-Development Project - PARKS, RECREATION AND NEIGHBORHOOD SERVICES (\$200,000 award in 2001-02). The project provides for an architectural/design consultant to recommend site location alternatives and to develop a facility design and architectural drawings for a centralized recreation and wellness facility for persons with disabilities. The project did not meet its original schedule of completing the site recommendations, facility design, and architectural drawings by June 30, 2002, because the City was negotiating with San Jose State University to do a joint feasibility study for a recreation and wellness facility as part of the school's master plan. (CEQA: Statutory Exemption per Section 15262 of CEQA guidelines)

Currently, the project has finalized two potential wellness sites (San Jose State University and Camden Community Center). A feasibility study will be conducted for the potential sites and a site will be selected soon after. The new corrective action is to: 1) begin the Camden feasibility study by November 30, 2003, 2) select a site for the facility by March 31, 2004, and 3) complete the facility design and architectural drawings for a centralized recreation and wellness facility for persons with disabilities by June 30, 2004. Funding for the project is currently authorized through June 30, 2003. A funding extension through June 2004 is recommended.

PUBLIC OUTREACH

The status of projects in this report was provided by funded agencies, including City Departments. The report was presented to the CDBG Steering Committee in a public meeting held on September 15, 2003.

COORDINATION

This report was prepared in coordination with the City Attorney's Office, the City Manager's Office, and the Department of Transportation.

HONORABLE MAYOR AND CITY COUNCIL

11-03-03

Subject: Approval of Funding Extension for Various CDBG Projects

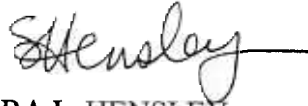
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COST IMPLICATIONS

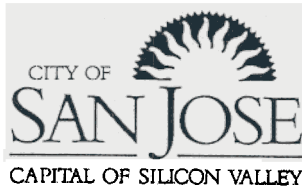
The recommendations contained in this memorandum have no impact to the General Fund. The CDBG Program is funded by Federal funds.

CEQA

PP03-10-324. The approval of Funding Extension for various CDBG projects is exempt under CEQA. It can be seen with certainty that the proposed project will not have a significant effect on the environment because each project has been or is currently being individually evaluated for environmental clearance under CEQA.



SARA L. HENSLEY
Director of Parks, Recreation
and Neighborhood Services



12-2-03
COUNCIL AGENDA: ~~11-25-03~~

ITEM: ~~5.2~~

5.3

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim McBride

SUBJECT: REVISIONS TO THE OPERATING ARTS GRANT PROGRAM DATE: 11-03-03

Approved

Kay Winer

Date

11/23/03

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Adoption of a resolution approving the following revisions to the Operating Grant Program:

1. Set forth in the grant guidelines estimated ranges of reference percentages of operating revenues used in determining grant amounts in each grant category of the Operating Grant Program that reflect more realistically the recent decline in City's Transient Occupancy Tax revenues (TOT) and the availability of funds for granting.
2. Revise the revenue period to which the percentages mentioned above refer from a single year, the most recently completed fiscal year at the time of the grant-application deadline, to the average of revenues over the three most recently completed fiscal years at the time of the application deadline.
3. Extend the basic method for determining recommended grant awards used in the Artist Organization (AO) and Resident Arts Organization (RAO) categories to the Professional Arts Institution (PAI) and Resident Arts Institution (RAI) categories, and retire the three-part formula presently used in the PAI and RAI categories.
4. In the first year of implementation of these revisions, recommend grant awards in the PAI and RAI categories that are the average of the amounts proposed by the review panel without using the three-part formula and the amounts that would have resulted had the three-part formula been in use.
5. As in the case of the AO and RAO categories, should the review panel recommend that an application in the PAI or RAI categories not be funded as a result of the evaluation, then the panel recommendation for no funding will supersede any potential grant calculations made pursuant to the foregoing criteria.

EXECUTIVE SUMMARY

Intent of Revisions

Overall, the revisions are intended to provide a "level playing field" for all applicants in the Operating Grant Program, to simplify and clarify the methodology used to arrive at grant award recommendations, to give applicants a more stable basis for estimating what their grant awards might be, and to help moderate variations in City grant support from year to year. The recommended revisions would:

- Extend the same funding methodology across all four grant categories within the program. The simpler method now applied to two categories would replace the outdated, more complex three-part formula now used for the remaining two categories;
- Align grant awards across the entire program with the program's fundamental principle of "inverse proportionality": as an applicant's operating revenue increases, the City grant support - as a percentage of the applicant's total income - will decrease;
- Amend the estimated grant ranges as stated in the guidelines, to align with the actual level of City funding available for the grant program and allow applicants to forecast a more realistic grant award; and
- Alter the income period that forms the basis for grant awards, from the prior year's annual income to the average income over the three most recent fiscal years. This revision is intended to moderate changes in City grant awards that may occur because of applicants' budget variations caused by economic swings.

Phased Revisions

Some applicants may experience a significant shift in their grant awards as a result of the revisions. In order to moderate the impact of such a shift, the recommendation includes phasing in the revisions over a two-year period.

Community Outreach

The arts constituency and the Arts Commission have participated in the development of the recommended revisions. Representatives of arts organizations were consulted repeatedly, both informally and in formal settings, as the revisions were shaped. The Arts Commission, in committee and as a whole, reviewed and discussed the revisions at length before finalizing its recommendation to City Council.

BACKGROUND

The Operating Grant Program, administered by the Office of Cultural Affairs, is the largest of the City's three arts grant programs. For FY 2003-04, the City awarded 27 Operating Grants in a total amount of \$2,229,822. Applicants compete within one of four grant categories, which are defined primarily by the organization's financial size, but also by its programming experience, staff level, whether the organization pays artists, the extent of external financial review, etc.

Operating Grants have historically been guided by the principle of “inverse proportionality” - as an organization’s annual operating revenues increase, the City grant amount decreases *as a proportion of annual income*. The principle is expressed in the program guidelines as follows:

Reliance on the City’s . . . operating support should decrease in proportion to an organization’s budget size as it develops additional capacity and grows toward greater independence.

Grant categories: Income Eligibility; Average Grant in Proportion to Income

The following table summarizes each category’s income eligibility, and the general level of grant (expressed as a percentage of annual income) that might be expected by successful applicants, according to current guidelines.

Category	Prior Year’s Annual Income *	Average Range of Grants in Proportion to Annual Income**
Artist Organization (AO)	\$50,000 – \$150,000	Between 20 % – 15%
Resident Arts Organization (RAO)	\$150,000 – \$500,000	Between 15 % – 10 %
Professional Arts Institution (PAI)	\$500,000 – \$2,000,000	Between 12 % – 8 %
Regional Arts Institution (RAI)	\$2,000,000 – \$10,000,000	Between 10 % – 5%

*Includes all operating revenues, earned and contributed. Excludes funds raised for endowments, capital campaigns, etc., and in-kind contributions.

**Guidelines stipulate additional grant amount parameters (e.g., grants may not exceed 25% of income in the AO category; grants may not exceed non-City contributions in the RAO, PAI and RAI categories) For the PAI and RAI categories, a three-part formula supersedes the percentage ranges.

However, if available City funding for the grant program is less than the total grant awards that would be called for by the average range of grants published in the guidelines, staff recalculates the average range of grants downward to correspond more closely to the actual available funds. The attached graph of the AO category illustrates the published average range of grants for the category (the upper plotted line) and a recalculated average range of grants (the lower plotted line) that was necessary because of an overall reduced allocation of funds to the program.

The table below shows the result of recalculations computed for all categories, to reflect a lower funding allocation for FY 2003-04.

Category	<u>Published</u> Average Range of Grants in Proportion to Annual Income	<u>Recalculated</u> Average Range of Grants in Proportion to Annual Income, Based on FY 2003-04 Available Funds
Artist Organization (AO)	20 % – 15%	14.7 % – 11.0%
Resident Arts Organization (RAO)	15 % – 10 %	12.5 % – 8.3 %
Professional Arts Institution (PAI)	12 % – 8 %	7.3 % – 4.9 %
Regional Arts Institution (RAI)	10 % – 5%	5.3 % – 2.7 %

Grant Determination Method #1: Inverse Proportionality (AO and RAO categories)

A grant review panel evaluates AO and RAO applications, assigns a score to each applicant and recommends grant amounts by category. To establish the starting points for each applicant's grant award (also known as the grant "reference" amount), staff plots the actual income of each applicant on the graph. The review panel uses its evaluation scores to adjust the starting grant amount and complete the grant award recommendation.

Example:

The attached graph depicts how starting grant awards were determined for two out of six AO applicants for FY 2003-04, San Jose Symphonic Choir and Northside Theater:

- The Symphonic Choir reported income of \$95,239. A line from that income point intersected the recalculated average grant line at 12.3%. Multiplying the Symphonic Choir's annual income of \$95,239 by 12.3% resulted in a starting grant of \$11,682.
- Northside's reported income of \$150,046 intersected the line at 10.4%. Multiplying Northside's annual income of \$150,046 by 10.4% resulted in a starting grant of \$15,561.

Next, the review panel considered the evaluation scores it had assigned to the six applicants:

- Symphonic Choir scored 63.6 (second from the bottom). The panel recommended that its starting grant amount be decreased by 15%. Thus, $\$11,682 \times 85\% = \$9,930$ (rounded)¹.
- Northside Theater scored 76.9 (second from the top). The panel recommended that its starting grant amount be increased 15%. Thus, $\$15,561 \times 115\% = \$17,900$ (rounded).

The review panel's final recommended grants in the AO and RAO categories were consistent with both the inverse proportionality principle and with its evaluations of the applications. *This is the approach that is recommended for all four categories in the Operating Grant Program.*

Grant Determination Method #2: Three Part Formula (PAI and RAI categories)

The guidelines currently prescribe a three part formula for PAI and RAI grants, consisting of:

1. A fixed dollar amount - the "base" grant.
After deducting the total base grants from each category's funding, the remaining funds are allocated 50/50 to the following two parts of the formula:
2. An amount based on an applicant's total non-City contributions as a percentage of the total amount of non-City contributions raised by all applicants in the category - the "contributions percentage" grant.
3. An amount recommended by a review panel based on its evaluation of the applications - the "incentive" grant.

The review panel only determines the "incentive grant" part of the three part formula, a relatively small portion of the total grant. Its evaluation has no effect on the other two parts of the formula.

¹ After the FY 2003-04 Operating Grant recommendations were approved by City Council, all awards were augmented with additional one-time funding from another source.

Example

Opera San José's RAI grant illustrates the application of the three-part formula. The FY 2003-04 grant, in the amount of \$202,812, consists of the three amounts shown below:

1. **Base, \$100,000:** The six RAI applicants, regardless of size, each received \$100,000.
2. **Contributions percentage, \$27,244:** Opera San José reported \$969,602 in non-City contributions, 8.41% of the total reported by all RAI applicants. After deducting the total value of the base grants, half of the remaining RAI funds - \$323,861 - was distributed under this part of the formula. Opera San José received 8.41% of \$323,861, or \$27,244.
3. **Incentive, \$75,568:** The last half of the remaining RAI funds - \$323,861 - was distributed under this part of the formula. The panel recommended that the applications ranking second, third and fourth be awarded one-sixth of the available funds plus 40%. Opera San José received a score of 81.2 (second from the top), therefore it received \$75,568.

ANALYSIS

Replace Method #2, the Three-Part Formula

The three-part formula was developed when City funding was a large proportion of applicants' contributed revenue (which is no longer the case), and was intended to encourage applicants to increase private-sector funding. Concerns have been raised for a number of years by arts organizations, members of the Arts Commission, and even by other area funders, that the formula has outlived its purpose, is overly complex, creates an uneven playing field and often results in disproportionate grant awards that reflect neither the different sizes of organizations within a category nor the results of the review panel evaluations. These concerns have surfaced in the ad hoc grants committee established by the Arts Commission in 2000 to survey local arts organizations for their concerns and suggestions regarding the grant programs, and in a 2002 assessment of arts programs conducted by an independent evaluator, Bay Consulting Group.

It is recommended that the formula be replaced with Method #1, the more direct inverse proportionality approach used in the AO and RAO categories. Doing so will simplify the program; extend the general principle of inverse proportionality to all categories in a consistent fashion; and make for a more even playing field. It will also provide all applicants the same opportunity to make more realistic forecasts of possible grant awards for budgeting purposes.

Revise the Range of Grant Awards as a Percentage of Operating Revenue

To enable applicants to estimate grant awards, the guidelines indicate an average range of grant awards expressed as a percentage of total revenues. Current guidelines indicate a higher range than is possible given the decline in the program's source of funding. For example, while in the past an applicant with an annual income of \$50,000 might expect a grant equal to 20% of its income, this year the same applicant might expect a grant equal to 15% of its income. Therefore, it is recommended that each year's guidelines reflect grant ranges more closely aligned with the actual level of available funding.

Broaden the Period of Operating Revenue

As discussed in the Symphonic Choir and Northside Theater example on page 4, the starting grant award is derived by determining where the annual operating income intersects the average grant range line. It is recommended that the time period used to determine annual income be changed from a single fiscal year, to the average of the last three fiscal years' operating revenues. At a time of significant volatility in applicants' year-to-year budgets, doing so will help temper these variations and, therefore, the changes in grant amounts that might occur as a result.

Phased Approach

Since the recommended revisions alter the way grant awards would be developed for the PAI and RAI categories, it is reasonable to expect some resulting changes in the pattern of grants awarded in those categories. To temper this adjustment, it is recommended that the three-part formula be retired over two years. For the first year of change, PAI and RAI grant awards would be the average of the amount determined using the new guidelines (Method #1, the inverse proportionality approach) and the amount determined using the old guidelines (Method #2, the three-part formula). This phased approach would moderate potential grant increases and decreases, and allow applicants to gradually adjust to the new process.

PUBLIC OUTREACH

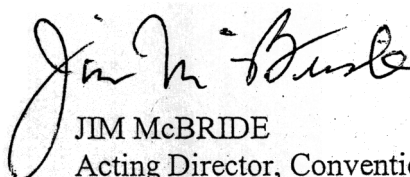
Two public meetings were held to consider the proposed revisions, attended by more than 40 persons representing arts organizations of various sizes and art forms. Their input contributed significantly to the final form of the recommended revisions. At a publicly noticed meeting on October 8, 2003, the Arts Commission reviewed and voted to forward the recommendations.

COORDINATION

This memo has been coordinated with the Office of the City Attorney.

CEQA

Not a project.



JIM McBRIDE

Acting Director, Conventions, Arts and Entertainment

Artist Organization

